

Village of Vandalia, Cass County
February 28, 2005
TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	
BASIC FINANCIAL STATEMENTS	
Exhibit 1-Government Wide Statement of Net Assets	1
Exhibit 2-Government Wide Statement of Activities	2
Exhibit 3-Balance Sheet-Governmental Funds	3
Exhibit 4-Statement of Revenues, Expenditures and Changes in Fund Balance-Governmental Funds	4
Exhibit 5-Statement of Net Assets-Proprietary Fund	5
Exhibit 6-Statement of Revenues, Expenditures and Changes in Net Assets-Proprietary Fund	6
Exhibit 7- Statement of Cash Flows-Proprietary Fund	7
Notes to the Financial Statements	8
REQUIRED SUPPLEMENTAL INFORMATION	
Exhibit 8-Budgetary Comparison Schedule-General Fund	15
Exhibit 9-Budgetary Comparison Schedule-Major Street Fund	16
Exhibit 10-Budgetary Comparison Schedule-Local Street Fund	17
Exhibit 11-Budgetary Comparison Schedule-USDA Fund	18
Exhibit 12-Budgetary Comparison Schedule-CDBG Fund	19

Village of Vandalia



18035 East State Street PO Box 57
Vandalia, Michigan 49095

PRESIDENT

Beverly Young

CLERK

Beth James

TREASURER

Carolyn Kelly

COUNCIL MEMBERS

Theresa Damron

Don Damron

James Pogue

Daisy Hervey

Floyd Foston

Bhola Singh

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Village of Vandalla		County Cass
Audit Date 2/28/2005	Opinion Date 7/19/2005	Date Accountant Report Submitted to State: 10/14/2005		

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ yes ☐ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			X
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) Richard L. Baldemann, CPA			
Street Address 1197 Wild Cherry Drive	City Williamston	State MI	ZIP 48895
Accountant Signature <i>Richard Baldemann</i>			

Richard L. Baldermann

Certified Public Accountant

1197 Wild Cherry Drive, Williamston, MI 48895

Office: (517) 655-4772

Cell Phone: (517) 896-2210

e-mail: rlbaldermann@msn.com



INDEPENDENT AUDITOR'S REPORT

July 19, 2005

Village of Vandalia, Cass County
P.O. Box 57
Vandalia, Michigan 49095

Dear Council Members:

I have audited the accompanying basic financial statements of the Village of Vandalia as of February 28, 2005 and for the year then ended, as listed in the table of contents. These financial statements are the responsibility of the Village's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Vandalia Village as of February 28, 2005 and the changes in its financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Village has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis - for State and Local Governments*. The accompanying financial statements do not present a management's discussion and analysis, which would be an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that this analysis is necessary to supplement, although not required to be a part of, the basic financial statements.

My audit was conducted for the purpose of forming an opinion on the Village's basic financial statements. The required supplemental information, budgetary comparison schedules, have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, are fairly presented, in all material respects, in relation to the basic financial statements taken as a whole.

Richard L. Baldermann

Richard L. Baldermann, CPA

Village of Vandalia
Statement of Net Assets
February 28, 2005

Exhibit 1

	<u>Primary Government</u> <u>Governmental</u> <u>Activities</u>
Assets	
Current Assets	
Cash	\$ 131,366
Taxes Receivable	7,712
Due From State	17,703
Due From Others	11,298
Non Current Assets	
Capital Assets	
Land	40,889
Other Capital Assets	433,555
Depreciation	(174,577)
Total Assets	<u>\$ 467,947</u>
Liabilities	
Current Liabilities	
Accounts Payable	\$ 1,679
Due to Federal Government	342
TOTAL LIABILITIES	<u>2,021</u>
Net Assets	
Invested in Capital Assets	299,867
Restricted for:	
Streets and Highways	44,976
Unrestricted	121,083
Total Net Assets	<u>465,926</u>
Total Liabilities and Net Assets	<u>\$ 467,947</u>

The Notes to Financial Statements are an Integral Part of this Statement.

Village of Vandalia
Statement of Activities
For the Year Ended February 28, 2005

Exhibit 2

		Program Revenue			Net (Expense)
			Operating	Capital	Revenue and
		Charges for	Grants and	Grants and	Changes in Net Assets
	Expenses	Services	Contributions	Contributions	Governmental
					Activities
Governmental Activities:					
General Government	\$ 87,314	\$ 617		\$ 36,638	\$ (50,059)
Public Safety	184	286			102
Public Works	26,798		\$ 42,915		16,117
Health and Welfare	4,202				(4,202)
Community and Economic Development	53				(53)
Culture and Recreation	2,142				(2,142)
Other Functions	10,958				(10,958)
Total Governmental Activities	\$ 131,650	\$ 903	\$ 42,915	\$ 36,638	(51,194)
General Revenues					
Taxes					41,196
State Grants					50,892
Unrestricted Investment Earnings					870
Rentals					425
Donations					2,600
Reimbursements					896
Special Items					
Insurance Recovery					7,948
Total General Revenues and Special Items					104,827
Change in Net Assets					53,633
Net Assets - Beginning					413,774
Net Assets - Ending					\$ 465,926

The Notes to Financial Statements are an Integral Part of this Statement.

Village of Vandalia
Balance Sheet
Governmental Funds
February 28, 2005

Exhibit 3

	General Fund	Special Revenue Funds			Other Governmental Funds CDBG Fund	Total Governmental Funds
		Major Street Fund	Local Street Fund	USDA Fund		
Assets						
Cash	\$ 91,251	\$ 20,233	\$ 4,138	\$ -	\$ 1,311	\$ 116,933
Taxes Receivable	7,712					7,712
Due From State	9,208	4,607	3,888			17,703
Due From Others	11,298					11,298
Due from Other Funds	1,718	19,058			4,000	24,775
Total Assets	\$ 121,187	\$ 43,898	\$ 8,026	\$ -	\$ 5,311	\$ 178,422
Liabilities						
Accounts Payable	\$ 1,479		\$ 185			\$ 1,663
Due to Other Funds	26,311	\$ 2,253	4,511			33,075
Due to Federal Government	342					342
Deferred Revenue	19,010					19,010
Total Liabilities	47,142	2,253	4,696	-		54,090
Fund Balances						
Fund Balance	74,045	41,645	3,331		5,311	124,332
Total Liabilities and Fund Balances	\$ 121,187	\$ 43,898	\$ 8,026	\$ -	\$ 5,311	\$ 178,422
Amounts reported for governmental activities in the statement of net assets are different because:						
Fund Balance					\$ 124,332	
Capital assets used in governmental activities are not financial resources and are not reported in the funds.						
Governmental funds report delinquent taxes receivable as deferred revenue until received					265,338	
Governmental funds report long term receivables as deferred revenue until received					7,712	
Internal Service Funds are used by management to charge the costs of motor pool activities to other funds. The assets and liabilities of the internal service fund are included in the governmental activities in the statement of net assets					11,298	
Net Assets of Governmental Activities					57,246	
					\$ 465,926	

The Notes to Financial Statements are an Integral Part of this Statement.

Village of Vandalia
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended February 28, 2005

Exhibit 4

	General Fund	Special Revenue Funds			Other Governmental Funds CDBG Fund	Total Governmental Funds
		Major Street Fund	Local Street Fund	USDA Fund		
Revenues						
Taxes						
Property Taxes	\$ 32,799					\$ 32,799
Delinquent Property Taxes	13,810					\$ 13,810
Penalties and Interest	685					\$ 685
Licenses and Permits						
Permits	286					\$ 286
Cable TV Fee	617					\$ 617
Federal Grants						
Federal Grant				\$ 36,638	\$ -	\$ 36,638
State Grants						
State Grant	1,705	\$ 26,801	\$ 14,409			\$ 42,915
State Revenue Sharing	50,892					\$ 50,892
Interest and Rentals						
Interest	158	500	212		0	\$ 869
Rentals	425					\$ 425
Other Revenue						
Donations	2,600					\$ 2,600
Reimbursements	3,296					\$ 3,296
Insurance Recovery	7,948					\$ 7,948
TOTAL REVENUES	115,221	27,300	14,621	36,638	0	\$ 193,780
Expenditures						
General Government						
Village Council	13,067					\$ 13,067
Village President	4,468					\$ 4,468
Village Clerk	18,943					\$ 18,943
Village Treasurer	3,778					\$ 3,859
Elections	420				81	\$ 420
Building and Grounds	40,394					\$ 40,394
Cemetery	2,705					\$ 2,705
Public Safety						
Building Inspection	184			1,296		\$ 1,480
Public Works						
Street Lighting	4,280					\$ 4,280
Street Department		11,049	25,604			\$ 36,653
Health and Welfare						
Ambulance	4,202					\$ 4,202
Community and Economic Development						
Community Promotion	53					\$ 53
Culture and Recreation						
Parks	5,272					\$ 5,272
Other Functions						
Insurance and Bonds	10,958					\$ 10,958
Capital Outlay						
Capital Outlay				37,547		\$ 37,547
Total Expenditures	108,722	11,049	25,604	38,842	81	\$ 184,299
Excess (deficiency) of Revenues vs. Expenditures	6,498	16,251	(10,983)	(2,205)	(81)	9,481
Other Financing Sources (Uses)						
Transfers in (out)	(1,242)	(6,758)	6,758	1,242		-
Total Other Financing Sources (Uses)	(1,242)	(6,758)	6,758	1,242		-
Net Change in Fund Balances	5,257	9,493	(4,225)	(963)	(81)	9,481
Fund Balances - Beginning:	68,788	32,152	7,555	963	5,392	114,851
Fund Balances - Ending:	\$ 74,045	\$ 41,645	\$ 3,331	\$ 0	\$ 5,311	\$ 124,332

Amounts reported for governmental activities in the statement of activities are different because:

Net Change in Fund Balance	9,481
Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation. This is the amount by which capital outlays exceeded depreciation in the current period.	30,091
Governmental funds report taxes in the subsequent year when the proceeds of this levy are budgeted and made "available" for the financing of operations; in the statement of activities, Taxes are recognized when levied.	(13,810)
Governmental funds report payments on long term receivables as revenue when collected; in the statement of activities, these receipts reduce a long term receivable which was recognized as revenue in a prior period.	7,712
Internal Service Funds are used by management to charge the costs of motor pool activities to other funds. The net revenue (expense) of the internal service fund is reported with governmental activities.	(2,400)
Change in Net Assets of Governmental Activities	22,558
	<u>53,632</u>

The Notes to Financial Statements are an integral part of this statement.

Village of Vandalia
Statement of Net Assets
Proprietary Fund
February 28, 2005

Exhibit 5

	Governmental Activities Internal Service Fund
Assets	
Current Assets	
Cash	\$ 14,433
Due From Other Funds	28,937
Total Current Assets	<u>43,370</u>
Noncurrent Assets	
Equipment	95,097
Accumulated Depreciation	<u>(60,567)</u>
Total Noncurrent Assets	<u>34,530</u>
Total Assets	<u><u>\$ 77,899</u></u>
Liabilities	
Accounts Payable	\$ 17
Due to Other Funds	20,637
Total Liabilities	<u>20,653</u>
Net Assets	
Invested in Capital Assets	34,530
Unrestricted	22,716
Total Liabilities and Net Assets	<u><u>\$ 77,899</u></u>

The Notes to Financial Statements are an Integral Part of this Statement.

Village of Vandalia
Statement of Revenues, Expenses
and Changes in Fund Net Assets
Proprietary Fund
February 28, 2005

Exhibit 6

	Governmental Activities Internal Service Fund
Operating Revenue	
Equipment Rental	\$ 28,147
Total Operating Revenue	<u>28,147</u>
Operating Expenses	
Personal Services	988
Repair and Maintenance	540
Gas and Oil	1,145
Depreciation	<u>2,915</u>
Total Operating Expenses	<u>5,589</u>
Operating Income (Loss)	<u>22,558</u>
Change in Net Assets	22,558
Net Assets - Beginning:	<u>34,688</u>
Net Assets - Ending:	<u><u>\$ 57,246</u></u>

The Notes to Financial Statements are an Integral Part of this Statement.

Village of Vandalia
Statement of Cash Flows
Internal Service Fund
For the Year Ended February 28, 2005

EXHIBIT 7

	Internal Service Fund <u>Motor Equipment Fund</u>
Cash Flows From Operating Activities	
Receipts from Customers	\$ 23,745
Payments to Employees	(988)
Payments to Vendors	(1,686)
Internal Activity-Receipts from Other Funds	43,204
Internal Activity-Payments to Other Funds	(18,070)
Net Cash Provided by Operating Activities	<u>46,206</u>
Net Increase (Decrease) in Cash and Cash Equivalents	46,206
Cash and Cash Equivalents at Beginning of Year	(31,773)
Cash and Cash Equivalents at End of Year	<u><u>\$ 14,433</u></u>
 Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating Income (Loss)	\$ 22,558
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities	
Depreciation Expense	2,915
Change in Assets and Liabilities	
Decrease (Increase) in Due From Other Funds	38,802
Increase (Decrease) in Due to Other Funds	(18,070)
Net Cash Provided by Operating Activities	<u><u>\$ 46,206</u></u>

The Notes to Financial Statements are an integral part of this statement.

VILLAGE OF VANDALIA
NOTES TO THE FINANCIAL STATEMENTS
February 28, 2005

NOTE 1-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Local Governmental Unit conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Local Governmental Unit:

A. Accounting And Reporting Change

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*. The Village of Vandalia has applied the provisions of this statement in the accompanying financial statements (including the notes to the financial statements).

B. Reporting Entity

The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity.

The Village of Vandalia is located in Cass County and covers an area of one square mile. The Village provides services to its 429 residents in many areas including fire protection, community enrichment and development, and human services. The Village is a general law village governed by a six-member council elected by the citizens of the Village of Vandalia. The Village Council consists of the president and six council members. The accompanying financial statements present the government and its component units, entities for which the Village is considered to be financially accountable. Based on the criteria established by the Governmental Accounting Standards Board (GASB), the Village of Vandalia has no component units.



C. Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities that rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

D. Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

VILLAGE OF VANDALIA
NOTES TO THE FINANCIAL STATEMENTS
February 28, 2005

NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The *government-wide financial statements* are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Property taxes and state-shared revenue are considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the Village. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Property Taxes--The Village property tax is levied and collectible on July 1 on the taxable valuation of property located in the Village as of the preceding December 31st. Taxes are returned delinquent to the County Treasurer on September 15. It is the Village's policy to recognize revenues in the current year when they are made available for the financing of Village operations. Payment from the County, which purchases the delinquent taxes, is recorded as revenue when received in cash.

The 2003 taxable value of the Village of Vandalia amounted to \$2,682,267, on which ad valorem taxes of 15 mills were levied for Village operating purposes. The 2003 current tax levied included \$40,234 for village operations. The delinquent real and personal taxes totaling \$7,712.35 will be recorded as revenue when received in fiscal year ended February 28, 2006.

The Village reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. Revenues are primarily derived from property taxes, State and Federal aid, and charges for services to provide for the administration and operation of general village departments.

The Major Street Fund accounts for the resources of state gas and weight tax revenues that are restricted for use on major streets.

The Local Street Fund accounts for the resources of state gas and weight tax revenues that are restricted for use on local streets.

The USDA Fund accounts for a federal grant that is restricted for maintenance and capital improvements of village property

Additionally, the government reports the following fund types:

Special Revenue Funds are used to account for specific revenue (other than expendable trusts or major capital projects) derived from State and Federal grants, General Fund appropriations and charges for services which are to be expended for specific purposes as dictated by legal, regulatory or administrative requirements.

Internal service funds account for major machinery and equipment purchases and maintenance, as well as risk management services provided to other departments of the Village on a cost reimbursement basis.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The Village has elected not to follow private-sector standards issued after November 30, 1989 for its business type activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

VILLAGE OF VANDALIA
NOTES TO THE FINANCIAL STATEMENTS
February 28, 2005

NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary funds distinguish operating revenue and expenses from non operating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. Operating expenses for proprietary funds include the cost services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non operating revenue and expenses.

G. Assets, Liabilities, and Net Assets or Equity

Bank Deposits--Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired.

Receivables and Payables--In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." All property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

Capital Assets--Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the Village as assets with an initial cost of more than \$500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Retroactive reporting of infrastructure assets is not required for units of government the size of the Village.

Property, buildings and equipment is depreciated using the straight-line method over the following useful lives:

Buildings	60 years
Building Improvements	30 years
Vehicles and Grounds Equipment	5 to 15 years
Office Equipment	7 years
Computer Equipment	7 years

Fund Equity--In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

H. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

VILLAGE OF VANDALIA
NOTES TO THE FINANCIAL STATEMENTS
February 28, 2005

NOTE 2--RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Amounts reported for governmental activities in the statement of net assets are different than those in the governmental fund balance sheet because:

Fund Balance	\$124,332
Capital assets used in governmental activities are not financial resources and are not reported in the funds.	265,338
Governmental funds report delinquent taxes receivable as deferred revenue until received.	7,712
Governmental funds report long term receivables as deferred revenue until received.	11,298
Internal Service Funds are used by management to charge the costs of motor pool activities to other funds. The assets and liabilities of the internal service fund are included in the governmental activities in the statement of net assets.	<u>57,246</u>
Net Assets of Governmental Activities	<u>\$465,926</u>

Amounts reported for governmental activities in the statement of activities are different than those in the fund statement of revenue and expenditures because:

Net Change in Fund Balance	\$ 9,481
Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation. This is the amount by which capital outlays exceeded depreciation in the current period.	30,091
Governmental funds report taxes in the subsequent year when the proceeds of this levy are budgeted and made "available" for the financing of operations; in the statement of activities, Taxes are recognized when levied.	(13,810) 7,712
Governmental funds report payments on long term receivables as revenue when collected; in the statement of activities, these receipts reduce a long term receivable which was recognized as revenue in a prior period.	(2,400)
Internal Service Funds are used by management to charge the costs of motor pool activities to other funds. The net revenue (expense) of the internal service fund is reported with governmental activities.	<u>22,558</u>
Change in Net Assets of Governmental Activities	<u>\$ 53,632</u>

NOTE 3--STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budget Information

The annual budget is prepared by the Village's management and adopted by the Council and subsequent amendments to the budget are approved by the Council. The annual operating budget has been prepared on a basis of accounting consistent with accounting principles generally accepted in the United States of America and at the department/activity level. Unexpended appropriations lapse at year-end.

Excess of Expenditures Over Appropriations in Budgeted Funds

The Uniform Budgeting and Accounting Act, PA 2 of 1968, as amended, (MCL 141.421 et seq.), provides that a local governmental unit shall not incur expenditures in excess of the amount appropriated. The Village's actual expenditures and budgeted expenditures for the funds budgeted have been shown on a department/activity basis. During the fiscal year ended February 28, 2005, the Village incurred expenditures in certain budgeted funds, which were in excess of the amounts appropriated, as follows:

VILLAGE OF VANDALIA
NOTES TO THE FINANCIAL STATEMENTS
February 28, 2005

NOTE 3--STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (continued)

Excess of Expenditures Over Appropriations in Budgeted Funds (continued)

General Fund			
President	4,446	4,468	(22)
Elections	-	420	(420)
Cemetery	1,081	2,704	(1,623)
Parks	1,606	5,271	(3,665)
Insurance & Bonds	3,000	10,958	(7,958)
Transfer Out		1,241	(1,241)
Major Street Fund			
Streets	6,300	11,048	(4,748)
Transfer Out	6,000	6,758	(758)
Local Street			
Streets	13,250	25,603	(12,353)
USDA Fund			
Building and Grounds		1,295	(1,295)

NOTE 4--CASH

Deposits are carried at cost. Deposits of the village are made in banks in the name of the Village of Vandalia Treasurer. Michigan Compiled Laws, Section 124.91, authorizes the village treasurer to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities, and direct obligations of the United States, or any agency or instrumentality of the United States in which the principal and interest is fully guaranteed by the United States, including securities issued or guaranteed by the Government National Mortgage Association; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan; and commercial paper rated by two standard rating agencies within the three highest classifications, which matures not more than 270 days after the date of purchase, and which involves no more than 50 percent of any one fund. The Village's deposits are in accordance with statutory authority.

Governmental Accounting Standards Board (GASB) Statement No. 3, risk disclosures for the Village's cash deposits, are as follows:

<u>Deposits</u>	<u>Bank Balance</u>	<u>Carrying Amount</u>
Insured (FDIC)	\$100,711	\$100,711
Uninsured	<u>30,680</u>	<u>30,385</u>
Total Deposits	<u>\$131,391</u>	<u>\$131,366</u>

VILLAGE OF VANDALIA
NOTES TO THE FINANCIAL STATEMENTS
February 28, 2005

NOTE 5-INTERFUND RECEIVABLES AND PAYABLES

The amounts of interfund receivables and payables between the government funds are as follows:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Fund</u>	<u>Interfund Payables</u>
General Fund	\$ 1,717	Major Street Fund	\$ 30
		Local Street Fund	109
Subtotal	<u>\$ 1,717</u>	Motor Equipment Fund	<u>1,578</u>
		Subtotal	<u>1,717</u>
Major Street Fund	\$19,058	Motor Equipment Fund	19,058
CDBG Fund	4,000	General Fund	4,000
Motor Equipment Fund	28,937	General Fund	22,312
		Major Street Fund	2,223
Subtotal	<u>28,937</u>	Local Street Fund	<u>4,402</u>
		Subtotal	<u>28,937</u>
Total	<u>\$53,712</u>		<u>\$53,712</u>

NOTE 6-CAPITAL ASSETS

Capital asset activity of the primary government for the current year was as follows:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
Capital Assets Not Being Depreciated				
Land	<u>\$ 37,574</u>	<u>\$ 3,315</u>		<u>\$ 40,889</u>
Subtotal	<u>37,574</u>	<u>3,315</u>		<u>40,889</u>
Capital Assets Being Depreciated				
Buildings	263,132	32,402		295,534
Building Improvements	37,502	1,829		39,331
Office Equipment	<u>6,908</u>			<u>6,908</u>
Subtotal	<u>307,542</u>	<u>34,231</u>		<u>341,773</u>
Less Accumulated Depreciation for				
Buildings	103,976	5,183		109,159
Building Improvements	1,561	1,286		2,847
Office Equipment	<u>1,015</u>	<u>987</u>		<u>2,002</u>
Subtotal	<u>113,171</u>	<u>7,456</u>		<u>121,191</u>
Net Capital Assets Being Depreciated	<u>188,381</u>	<u>37,546</u>	<u>7,456</u>	<u>181,938</u>
Governmental Activities Total				
Capital Assets-Net of Depreciation	<u>\$238,562</u>	<u>\$37,546</u>	<u>\$7,456</u>	<u>\$268,652</u>

Depreciation expense was charged to programs of the Governmental Activities as follows:

Governmental Activities	
General Government	\$6,056
Public Works	1400

VILLAGE OF VANDALIA
NOTES TO THE FINANCIAL STATEMENTS
February 28, 2005

NOTE 6--CAPITAL ASSETS (continued)

A summary of proprietary fund type (Motor Equipment Fund) fixed assets at February 28, 2005 follows:

	Beginning <u>Balance</u>	<u>Additions</u>	<u>Deductions</u>	Ending <u>Balance</u>
Capital Assets Not Being Depreciated				
Equipment	<u>\$95,097</u>			<u>\$95,097</u>
Less Accumulated Depreciation				
Equipment	<u>57,652</u>	<u>2,915</u>		<u>60,567</u>
Net Capital Assets Being Depreciated	<u>\$37,445</u>		<u>\$2,915</u>	<u>\$34,530</u>

NOTE G--RISK MANAGEMENT

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The Village is insured with the Michigan Municipal Liability and Property Pool. Workmen's compensation coverage is acquired from the Accident Fund of Michigan.

The Pool was established for the purpose of making a self-insurance pooling program available which includes, but is not limited to, general liability coverage, auto liability coverage, property insurance coverage, stop loss insurance protection, claims administration, and risk management and loss control services pursuant to Michigan Public Act 138 of 1982.

The Village pays an annual premium to the Pool for property (buildings and contents) coverage, automobile and equipment liability, errors or omissions liability and bodily injury, property damage and personal injury liability. The agreement for the information of the Pool provides that the Pool will be self-sustaining through member payments determined necessary by the Pool Board.

During fiscal year end February 28, 2005 and the previous two years, there were no settlements that exceeded the respective insurance coverage. In addition, there has been no reduction in insurance coverage from the prior year.

NOTE H--CONTINGENT LIABILITIES

The Village, in connection with the normal conduct of its affairs, is involved in various claims, judgments, and litigation. The Village's attorney and insurance carrier estimate that the potential claims against the Village, not covered by insurance resulting from such litigation, would not materially affect the financial statements of the Village.

NOTE I - TRANSFERS IN AND TRANSFERS (OUT)

The Major Street Transfer Out of \$6,758.24 to the Local Street Fund is in within the 25% limitation stated in Act 51 PA 1951, as amended.

Village of Vandalia
 Budgetary Comparison Schedule
 General Fund
 For the Year Ended February 28, 2005

Exhibit 8

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	Favorable (Unfavorable)
Budgetary Fund Balance-Beginning	\$ 92,396	\$ 92,396	\$ 68,788	\$ (23,608)
Resources (Inflows)				
Taxes	40,233	47,290	47,293	3
Licenses and Permits	1,000	1,620	903	(717)
State Grants	65,000	65,000	52,597	(12,403)
Interest and Rentals	300	550	583	33
Other Revenue	2,500	13,750	13,844	94
Amounts Available for Appropriation	201,429	220,606	184,009	(36,597)
Charges to Appropriations (Outflows)				
General Government				
Village Council	9,500	13,744	13,067	677
President	3,500	4,446	4,468	(22)
Clerk	25,000	27,420	18,943	8,478
Treasurer	3,000	4,182	3,778	404
Elections	2,000	-	420	(420)
Building and Grounds	40,000	47,555	40,394	7,161
Cemetery	500	1,081	2,705	(1,624)
Public Safety				
Building Inspection	1,200	1,200	184	1,016
Public Works				
Street Lighting	5,000	5,000	4,280	720
Health and Welfare				
Ambulance	6,000	5,000	4,202	798
Community and Economic Development				
Community Promotion	300	300	53	248
Recreation and Culture				
Parks	500	1,606	5,272	(3,666)
Other Functions				
Insurance & Bonds	11,000	3,000	10,958	(7,958)
Transfer Out	20,000	-	1,242	(1,242)
Total Charges to Appropriations	107,500	114,534	109,964	4,570
Budgetary Fund Balance-Ending	\$ 73,929	\$ 73,929	\$ 74,045	\$ 116

Village of Vandalia
 Budgetary Comparison Schedule
 Major Street Fund
 For the Year Ended February 28, 2005

Exhibit 9

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	Favorable (Unfavorable)
Budgetary Fund Balance-Beginning	\$ 64,338	\$ 64,338	\$ 32,152	\$ (32,186)
Resources (Inflows)				
State Grants	18,000	24,000	26,801	2,801
Interest and Rentals		315	500	185
Amounts Available for Appropriation	82,338	88,653	59,452	(29,201)
Charges to Appropriations (Outflows)				
Public Works				
Street Department	15,000	6,300		(4,749)
Road Maintenance			4,452	
Winter Maintenance			5,848	
Administration			749	
Transfers Out	4,500	6,000	6,758	(758)
Total Charges to Appropriations	19,500	12,300	17,807	(5,507)
Budgetary Fund Balance-Ending	\$ 62,838	\$ 76,353	\$ 41,645	\$ (34,708)

Village of Vandalia
 Budgetary Comparison Schedule
 Local Street Fund
 For the Year Ended February 28, 2005

	Budgeted Amounts		Actual Amounts	Variance Favorable (Unfavorable)
	Original	Final		
Budgetary Fund Balance-Beginning	\$ 12,683	\$ 12,683	\$ 7,555	\$ (5,128)
Resources (Inflows)				
State Grants	8,500	8,500	14,409	5,909
Interest and Rentals		135	212	77
Transfers In	4,500	2,000	6,758	4,758
Amounts Available for Appropriation	25,683	21,318	28,934	858
Charges to Appropriations (Outflows)				
Public Works				(12,354)
Street Department	25,000	13,250		
Road Maintenance			13,711	
Winter Maintenance			11,205	
Administration			688	
Total Charges to Appropriations	25,000	13,250	25,604	(12,354)
Budgetary Fund Balance-Ending	\$ 683	\$ 8,068	\$ 3,331	\$ (4,737)

Village of Vandalia
 Budgetary Comparison Schedule
 USDA Fund
 For the Year Ended February 28, 2005

Exhibit 11

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	Favorable (Unfavorable)
Budgetary Fund Balance-Beginning	\$ 20	\$ 20	\$ 963	\$ 943
Resources (Inflows)				
Federal Grant	58,000	36,650	36,638	(12)
Transfer In			1,242	1,242
Amounts Available for Appropriation	58,020	36,670	38,842	931
Charges to Appropriations (Outflows)				
Capital Outlay-Village Hall	58,020	38,850	37,547	1,303
General Government				
Building and Grounds			1,296	(1,296)
Total Charges to Appropriations	58,020	38,850	38,842	8
Budgetary Fund Balance-Ending	\$ -	\$ (2,180)	\$ 0	\$ 2,180

Village of Vandalia
 Budgetary Comparison Schedule
 CDBG Fund
 For the Year Ended February 28, 2005

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	Favorable (Unfavorable)
Budgetary Fund Balance-Beginning	\$ 5,503	\$ 5,503	\$ 5,392	\$ (111)
Resources (Inflows)				
Interest	5	5	0	(5)
Other	400	400		
Amounts Available for Appropriation	5,908	5,908	5,393	(115)
Charges to Appropriations (Outflows)				
General Government				
Treasurer-Bank Fees	160	160	81	79
Total Charges to Appropriations	160	160	81	79
Budgetary Fund Balance-Ending	\$ 5,748	\$ 5,748	\$ 5,311	\$ (437)